

# Keeping the Promise: Offsetting Tax Gains Due to Wayfair

In 2013, the Utah Legislature passed SB 58 which called for all new revenue collected from out-of-state remote sellers, due to action of Congress or the Supreme Court, to be deposited in a restricted account to allow the Legislature the ability to cut taxes.

In July's special session that bill was repealed but the promise from lawmakers should continue. Estimated revenue from out-of-state remote sellers has been set at \$200 million. Lawmakers cut taxes by \$85 million in the special session through expanding the manufacturing sales tax exemption and creating the dependent exemption. That means the Legislature has \$115 million more to cut to keep their end of the deal. Potential options include:

- **Fully fund the dependent exemption to offset tax changes by the Tax Cuts and Jobs Act on families in Utah with multiple dependents**
  - Full cost is estimated at \$80 million
  - The Legislature appropriated \$30 million in the July special session
- **Decouple from Federal Tax Code in certain corporate income tax areas**
  - GILTI
    - \$12 million per year fiscal note
  - FDIC Fees
    - Coupled in the special session for \$1 million increase to the state
- **Lower Tax Rates**
  - Sales Tax Rate (Current rate imposed by the state is 4.7%)
    - Lowering the state rate by 0.25% would reduce sales tax collection by approximately \$120 million.
  - Income Tax Rate (Current rate is 4.95%)
    - Lowering the rate by .05% cost \$52.9M in 2018
- **Business Personal Property Tax Reform**
  - Increasing the \$10,000 threshold
  - Exempting those who pay sales tax on personal property from paying the property tax
- **Earned Income Tax Credit**
  - Earned Income Tax Credit for those suffering from intergenerational poverty is estimated to cost around \$6 million.
- **Residential Exemption (Domicile)**